



STATE OF WEST VIRGINIA
OFFICE OF THE ATTORNEY GENERAL
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CONSUMER PROTECTION DIVISION
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Press Release

February 20, 2003

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**ATTORNEY GENERAL DARRELL V. MCGRAW, JR.
SECURES "PAYBACK" FOR WEST VIRGINIA CONSUMERS
HARASSED BY OHIO PAYDAY LENDER**

Attorney General Darrell McGraw recently secured a "payback" from an Ohio payday lender that threatened criminal prosecution and committed other debt collection violations when pursuing West Virginia consumers who defaulted on loans. As a result of a recent settlement agreement secured by McGraw's office, Ohio Valley Check Cashing and Loan of Gallipolis, Ohio, issued more than \$42,000 in cash refunds and debt cancellation to 81 West Virginia consumers harmed by the company's practices.

Attorney General McGraw's office began investigating the Ohio Valley Check Cashing company last year after a consumer complained that he received collection letters threatening criminal prosecution unless payment in full was made promptly. West Virginia law expressly prohibits debt collectors from threatening that nonpayment may result in arrest or criminal prosecution, even in the collection of dishonored checks.

McGraw's office explained that many consumers who may not qualify for conventional loans from mainstream lenders are victimized by short-term high interest "payday loans," also known as cash advance, check advance, or postdated check loans. In a typical payday loan, the consumer writes a personal check for \$220 to the lender in exchange for \$200 cash. The lender holds the check until the next payday, usually two weeks later. When the loan is due, the lender either deposits the check or lets the consumer redeem it for \$220 in cash.

Consumers must pay an additional fee of \$20 to "roll over" the check for another two weeks or face default and possible bad check charges if they cannot pay off the loan when first due. Many consumers go deeper and deeper in debt by continuously rolling over the check from payday to payday. The interest rate for this \$200 loan for two weeks is 260% when figured as an annual percentage rate. If the consumer rolled over the loan three times, paying additional fees of \$60, the finance charge would jump to \$80 for the \$200 loan.

"Payday lenders are not the solution for consumers who may face dire circumstances. In many instances, consumers actually qualify for conventional loans from mainstream lenders at reasonable interest rates even if they have blemishes on their credit records. Consumers who fall for the easy money 'no credit check' payday lenders often end up deeper in the hole by continuously rolling over the loan. They are also faced with the added stress of a bounced check if they default on the loan," warned Attorney General McGraw.

Any persons wishing to file a complaint about a consumer matter or to alert the Attorney General about unfair or deceptive practices may do so by calling the Consumer Protection Hot Line, 1-800-368-8808.

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